Police Mutual

# Let’s talk
## Savings and Investments
ISSUE 11 NOVEMBER 2020

**The main reasons to save are, for emergencies, for short term purchases and for longer term aspirations. It’s therefore important to get into the habit of saving regularly. You are more likely to stick to savings if you keep these saving term goals in mind.**


**Putting a little away regularly is a good way to save as it soon adds up and this will get you into the habit of saving**

Once you’ve decided on these aspirations, you can then look at the timeframe for each of them and how much you can initially afford to save. Work out what you already have, your monthly income, monthly outgoings and any large expenses you have coming up in the future. A monthly budget is a vital step towards improving financial fitness and the foundation of your action plan. Our **budget calculator** can help with this. A few hours spent working out where your money is going could make a big difference in helping to reduce the chances of you going into your overdraft and, instead allow you to maximise the amount you can save. The secret to success with sticking to a budget is to regularly give it attention. Understanding your income and outgoings can reduce your stress and help you maximise your savings.

Ensure you also put some money aside for emergencies, not having access to an emergency fund is one of the main causes of debt and financial stress in the UK. This can then lead to mental health problems. Be realistic when calculating how much you can afford to save and don’t forget to plan for regular events like Christmas, holidays and birthdays.

To give your savings the best chance to grow you need to spend some time finding the right home for them. This will depend on how long you have to reach your goal and how much risk you want to take. Over the short and medium term you could consider a savings account or cash ISA which will allow you easy access to your money.

For the longer term think about a fixed-term savings product or an investment product which could provide protection from inflation over the longer term.

If you are using a savings account, to make it simple, set up a standing order to move your savings across each month and then add to this if you have any spare money at the end of the month.

Many of your goals will be long term ones, like saving to help your children pay for University fees and preparing for retirement. The sooner you start to save the longer you’ll have to build up your savings.

## There are many different ways to save in the short, medium and long term and some options are below.

### Instant and easy access bank accounts

This is somewhere to put your emergency savings, it may pay slightly more interest than a standard current account, but you can get to the money if you need it. For more details click **here**.

**Regular Savings account** – This is the ideal place to save a regular amount of money each month with some rules and restrictions. Click **here** for more details.

**Fixed term deposit accounts** – These are aimed at putting money away for a fixed period of time. They have a fixed rate if interest, which is set in advance.

**Index-linked accounts** – These are similar to fixed term deposits, but the interest rate changes in line with inflation. For more details click **here**.

## ISA's

**Individual Savings Accounts** are tax-efficient savings and investment accounts. There are 2 main types of ISA, a Cash ISA and a Stocks and Shares ISA. Each type invests in different types of investments. All ISA's are a 'tax wrapper'.

In every tax year, each individual has an annual ISA allowance set by the government. This is the maximum amount you're allowed to save in ISAs each tax year. In the 2020/21 tax year, the maximum you can save into ISAs is £20,000. The whole amount can be paid into a Stocks and shares ISA, or into a Cash ISA or a combination of the two.

No Income Tax is paid on the interest or dividends received from an ISA and any profits from investments are free of Capital Gains Tax.

You can take out an ISA if you are a UK resident for tax purposes and are aged 16 or over for a Cash ISA and 18 or over for a stocks & shares ISA.

**There are also Junior ISAs available for children under the age of 18 and Lifetime ISA's, more details of both can be found later in the guide.**

## Cash ISA's

With a **Cash ISA** you'll earn tax-free interest on your savings.

If you withdraw money from your Cash ISA, this doesn't reset your annual limit. For example, if you saved up to the ISA limit in a year and withdrew £1,000. You'll need to wait for the next tax year before you can top up that £1,000.

You can only open one Cash ISA per year, but it is possible to transfer to another Cash ISA or Stocks and Shares ISA with another provider. Click **here** for more details of the rules around transferring ISA's.


## Stocks & Shares ISA's

A Stocks and shares ISA is a 'tax wrapper' that can be put around a wide range of different investment products. It is a tax efficient way of investing and any investment growth or interest earned within the ISA is free of tax.

Many different types of investment can be held in an ISA, including:

- **unit trusts**
- **investment trusts**
- **exchange-traded funds**
- **individual stocks and shares**
- **corporate and government bonds**
- **OEICs (Open Ended Investment Companies).**

You can usually put your allowance into the investment as a lump sum investment and/or make regular or one off contributions throughout the tax year.

Any increase in value of the investments in your Stocks and shares ISA is free of Capital Gains Tax and most income is also tax-free.

You can only pay into one Stocks and shares ISA in each tax year, but you can open a new ISA with a different provider each year if you want to. You don't have to use the same provider for your Cash ISA if you have one.

## Police Mutual ISA

The Police Mutual ISA makes it easy to save regularly, little and often and/or to save a lump sum, if you have one.

The Police Mutual ISA is a Stocks and Shares ISA. You can open your Police Mutual ISA with either a monthly contribution starting from £30 a month or more or with a lump sum of between £100 and £20,000 (for the 2020/2021 tax year). Or you can choose to save using a combination of the two options up until you reach the ISA allowance set for that tax year.

You can start, stop or amend the amount you save at any time without charge and you can easily transfer money from another ISA into your Police Mutual ISA.

Contributions into the ISA are pooled with those of other savers and invested in the Cautious Managed Fund. The Cautious Managed Fund will then invest in a range of other funds which spread investors' money over a wide range of investments.

The value of your investment can go down as well as up. As there are no guarantees on this investment, when you take your money out you may get back less than you originally invested.

The Police Mutual ISA is designed for the medium to long term saver, to be held for around 5-10 years, but there is no fixed term. You can withdraw part of your money at any time subject to a minimum withdrawal of £50. You just need to leave £100 in your ISA in order keep your ISA open.

No tax is paid on what you save. However, tax treatment depends on the individual circumstances and may be subject to change in the future

Click **here** to apply.

## Junior ISAs

You can open a Junior ISA for your child if they are under 18 and live in the UK. The annual allowance for a Junior ISA in the tax year 2020/21 is £9,000.

A child's parent or legal guardian must open the Junior ISA account on their behalf. The money in the account belongs to the child, but they can't withdraw it until they turn 18, apart from in exceptional circumstances. They can, however, start managing their account on their own from age 16.

No tax is payable on interest or investment gains. When your child turns 18, their account is automatically rolled over into an adult ISA. They can choose to take the money out.

Anyone with money in a Child Trust Fund can transfer it to a Junior ISA.

Your child can have a Junior Cash ISA, a Junior Stocks and Shares ISA or both.

A **Junior Cash ISA** is essentially the same as a bank or building society savings account, there just isn't any tax to pay on the interest earnt on the savings.

With a **Junior Stocks and Shares ISA** account, you can put your child's savings into investments like shares and bonds. Any profit you earn is free from tax.

Investments are riskier than cash but could give your child a bigger profit. The value of a Junior Stocks and shares ISA can go down as well as up.

## Lifetime ISA

The Lifetime ISA is a longer-term tax-free savings account that will let you save up to £4,000 per year (part of your £20,000 annual ISA allowance) and receive a government bonus of 25% (up to £1,000). As with other ISAs, you won't pay tax on any interest, income or capital gains from cash or investments held within a Lifetime ISA.

It's designed for first-time buyers between the ages of 18 and 40 to use towards a deposit for their first home or towards future retirement savings once they hit 60 years of age. For more details click **here**.

## National Savings & Investments (NS&I)

NS&I is a government agency that offer a selection of saving and investment products to the general public. They are 100% secure and backed by HM Treasury. Their products change regularly, so for more details of the products currently on offer click **here**.

## Premium bonds

Premium bonds are one of the products offered by NS&I and are unlike other savings or investments, where you earn interest or a regular dividend income. With Premium Bonds you're entered into a monthly prize draw where you can win between £25 and £1 million tax free.

You can buy them for yourself or on behalf of your child, grandchild or great-grandchild. You must be aged at least 16 to purchase Premium Bonds. You'll need to invest at least £25, up to the maximum holding level of £50,000. For more details click **here**.

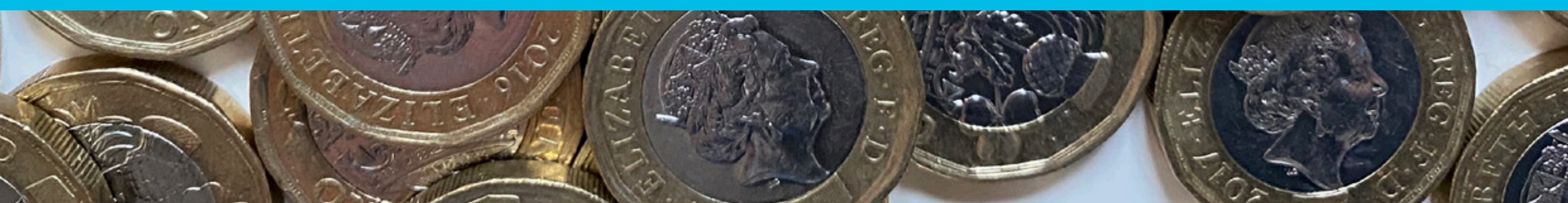
## Unit Trusts and Open-Ended Investment Companies (OEICs)

Unit trusts and Open-Ended Investment Companies (OEICs) are professionally managed collective investment funds. A fund manager pools money from many investors and buys shares, bonds, property or cash assets and/or other investments.

For more details click **here**.

## Investment bonds

Investment bonds are life insurance policies where you invest a lump sum in a variety of available funds. Some investment bonds run for a fixed term, others have no set investment term. When you cash investment bonds in, how much you get back depends on how well the investment has done. For more details click **here**.



## Fixed Interest Securities – Gilts & Corporate Bonds

When investing in gilts, you are essentially lending money to the British government for a regular interest payment, which is set when the gilt is issued, over a fixed term. As with cash, gilts are vulnerable to the effects of inflation. Gilts are considered to be very low-risk investments due to them being linked to the government.

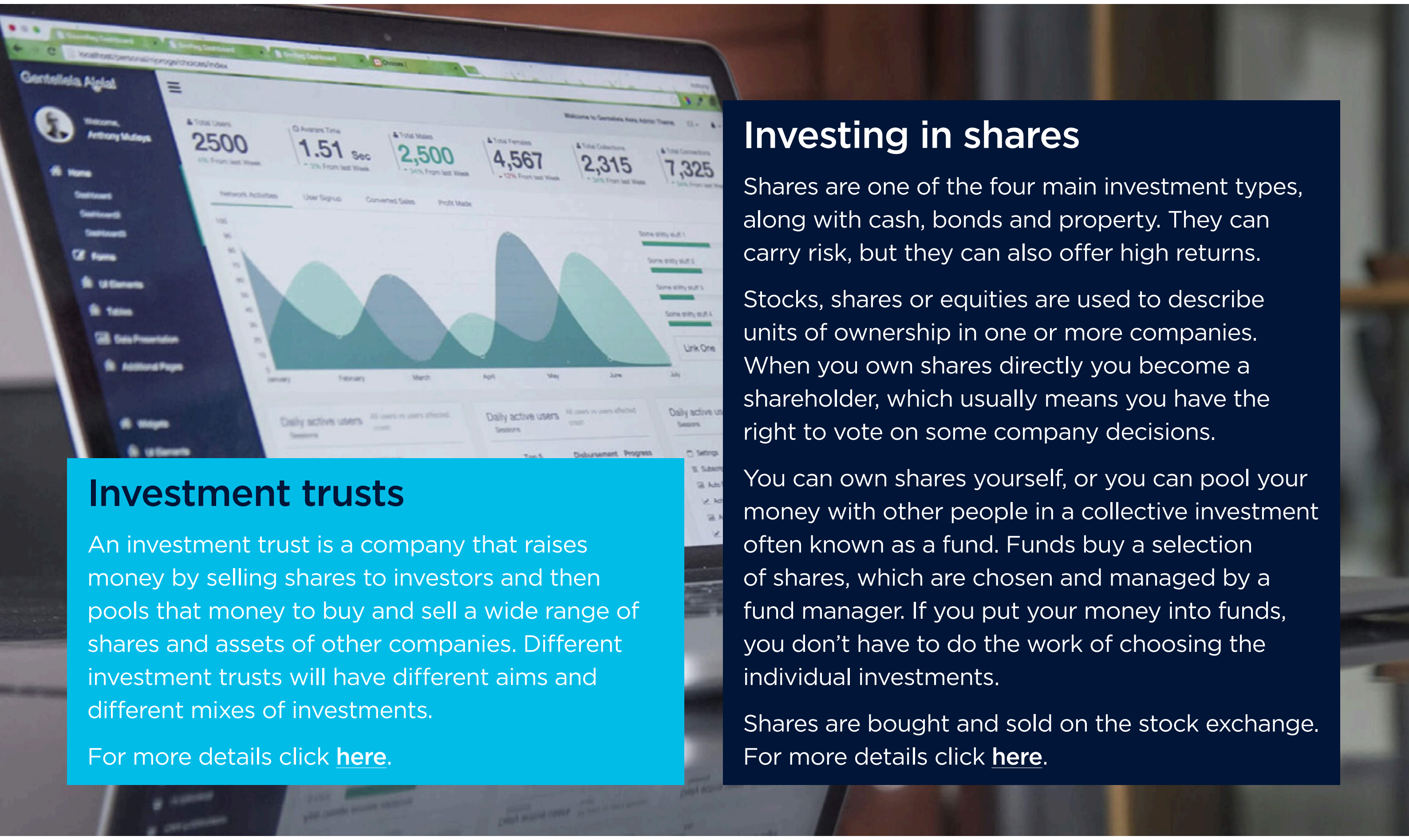
Corporate bonds are issued by companies that are looking to raise capital. They are seen as riskier than gilts, as companies are generally considered to be more likely to default on a debt than the British government. They tend to offer a higher rate of interest to reflect this extra risk. For more details click here.

## With-profits funds

**With profits funds are a type of ‘pooled investment’ fund. Your money is pooled with other investors and then invested in stocks, shares, bonds and property.**

**You can either save regularly or invest a lump sum using a life insurance policy. They aim to provide a return linked to the stock market but with fewer ups and downs than investing directly in shares.**

**With-profits funds are aimed at those who want to invest money for a long period. There are often penalties for taking your money out early. For more details click here.**




## Investment trusts

An investment trust is a company that raises money by selling shares to investors and then pools that money to buy and sell a wide range of shares and assets of other companies. Different investment trusts will have different aims and different mixes of investments.

For more details click here.

## Investing in shares

Shares are one of the four main investment types, along with cash, bonds and property. They can carry risk, but they can also offer high returns.

Stocks, shares or equities are used to describe units of ownership in one or more companies. When you own shares directly you become a shareholder, which usually means you have the right to vote on some company decisions.

You can own shares yourself, or you can pool your money with other people in a collective investment often known as a fund. Funds buy a selection of shares, which are chosen and managed by a fund manager. If you put your money into funds, you don’t have to do the work of choosing the individual investments.

Shares are bought and sold on the stock exchange. For more details click here.

**For more information about the products and services available from Police Mutual:**

**Call us 01543 441630**
**Visit policemutual.co.uk**

**We’re open from**
**9am - 5pm Mon - Fri**



Police Mutual

PMLTS&A 11/20